

EXHIBIT G



CCC Intelligent Solutions - Former Vice President of Product Development for CCC Information Services

Interview conducted on August 18, 2021

Vice President of Product Development for CCC Information Services, leaving March 2020. Expert can speak to projects, product, strategy, solutions, and revenue generation.

Currently, the expert is the Chief Technology Officer at Sphera, reporting directly to the Chief Executive Officer. Sphera operationalizes, scales and optimizes Integrated Risk and Sustainability Management strategies to help customers identify, manage, and mitigate risk in the areas of Environment, Health, Safety & Sustainability (EHS&S), Operational Risk Management, and Product Stewardship. The expert runs all technologies and oversees P&L of \$50 million.

Prior, the expert was the Vice President of Product Development for CCC Information Services, reporting to the CTO. This expert directed a staff of over 150 software development, quality assurance, project management and business analyst professionals at various levels across 6 product lines. This expert's main focus was web-enabling business solutions, specifically web-transactional systems, and delivering customer-facing, revenue-generating software and product solutions in a SaaS based environment.

Tegus Client

Thanks for taking the time to speak with us today. I have come across CCC Information Services, which is operating in the, call it, software for insurance and auto repair centers. I am very early on in my research on this industry. So I thought it would be a good time to speak to somebody who's more aware of what's happening here than I am to just get a brief lay of the land and understand a little bit more what does CCC do, what's their value add and who are they competing with in this industry. And before we get going on that, it would be great to get just a brief background on yourself and your history in this industry.

Former Vice President of Product Development for CCC Information Services

Yes, so I'll focus just on my history and industry. I was at CCC for about seven years. I departed right before the beginning of COVID. So I was there at a pretty transformative time during CCC. I led all of their product development for everything insurance carrier facing. So that would be the auto physical damage, auto repair, all the insurance carrier to processing systems, supported all SaaS systems that the insurance carrier partners connected to.

There's a corollary of mine who ran the desktop software development that's used in repair facilities for their repair work, well estimatics and so forth. There were also some other portions of the business. I did pick up at one point in time, the medical casualty as we acquired. It was called AIS and Injury Sciences was the second medical-related company that CCC acquired along the way. And then there was also an area was not involved with, which was really beginning at the time and starting to grow. It's call parts procurement or dealing with parts supply chain in the ecosystem. So I reported to the CTO and I ran a team of about 250 people.

Tegus Client

Fantastic. So with that in mind, it would be great to get the information on just what does CCC do, if we can lay it out and if they have the different, call it, segments and customer groups that they cater to, to begin with?

Former Vice President of Product Development for CCC Information Services

Yes. So CCC, it was a three-legged stool, if you will, of a network effect. So CCC originally started off 25 years ago in vehicle valuation. So if you have a total loss of an automobile in an accident and it's insured, obviously, the insurer needs to provide you the value of that vehicle. But that's a really complex thing to do because of modifications that have been done to the vehicle, aftermarket parts, stereo, things like that, added accessories as well as vehicle condition, how much tread was

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on the tires, or the carpet stained, all of that.

So CCC had developed a pretty intricate process on doing those vehicle valuations based on local geography conditions, comparable sales within the area, vehicle conditioning. So that's where they began. And then I also ran the valuation portion of CCC. I'd say it's about, on the carrier side of the business, it's still about 30% of the carrier side of the business.

They built upon that with the addition of estimatics, so the ability to simply write an estimate on a vehicle for repair. Again vehicles in collision needs to be repaired. In the repair facility, they will create this pretty detailed, generally, estimate of all the things that need to be done in the vehicle, taking out power, conditioning refinishing, blending paint, putting on stickers, things like that, so they built upon that.

And as a result of that, they brought out carrier solutions. So this was for the insurance carriers to handle the entire workflow of tracking that vehicle through repair for their insured party. I should back up a second. If I were to try to categorize CCC's revenue right now, I would say, at the time, I departed, 40% was insurance carrier, 40% was repair facility and then 20% was kind of other than that. It was at medical casualty, the parts business that was growing, et cetera.

So the thing about having insurance carrier and the repair facility is it's a very strong effect. One feeds into the other. So the more repair facilities you have, the more the insurance carriers want to use you to manage their workflow. Vice versa, the more insurance carriers you have, the more repair facilities are incentivized to actually use that software solution. To that point, the market share of CCC in North America right now is about 85% of all insurance claims. They have little presence to no presence internationally other than China where they've started to establish a market share.

But basically, no presence in Europe, APAC, EMEA, at this point. The other parts of CCC's business, it's an interesting pun is the parts procurement business. So CCC built upon this network effects and now they've got all the repair facilities, insurance carriers using our software. It's a great opportunity at the time of rating that estimate to say, okay, you're going to need a headlight and a wiper blade and a hood and a fender panel. Would like to just go ahead and purchase it now?

In the back and they handle with all the procurement from a lot of different vendors, five different kinds of parts, whether it's OEM, aftermarket, refurb, refinish, salvage as well. So they source all those parts, somewhat handle the logistics and shipping to the repair facility and then handle all the settlement afterwards, the invoicing settlement afterwards.

And that's a business that's been starting to grow. That would be the third leg of the stool, I would say, right now. So it would be insurance carrier repair facility and the parts procurement would be the three big legs of the stool and then a fourth that is emerging right now is OEM. And they're starting to partner with some of the OEM providers around either safety or validation that the repair was done to OEM standards, vehicle replacement if it's total loss et cetera. So hopefully, that gives you an overall background CCC solutions.

Tegus Client

Yes, that's an amazing intro. So that explains a lot of the business and what it does. So just out of curiosity, I know there are a couple of other businesses doing a similar thing. So you have Mitchell and I think it's Audatex from Solera.

Former Vice President of Product Development for CCC Information Services

Audatex, yes. Audatex, Solera. They are the two main competitors. To be honest with you, Mitchell sort of retrenched during the period of time I was there in the automotive market. Mitchell is very strong in medical casualty, workmen's compensation. So medical and workmen's comp, they're very strong. And the CCC really sort of doesn't play in those spaces today.

So as CCC gain market share in North America, Mitchell sort of retreated. When I was there, Liberty Mutual was brought on, well, they never used CCC. They brought on an exclusive agreement. A number of other large carriers came on board as well, medium to large carriers. I've heard that recently, State Farm has switched over entirely to CCC where they tried to balance between all three of the four. So Mitchell is sort of retreated.

Audatex, Solera is not seen that often in North America, maybe 10% of the time and they tend to be much more prevalent in Europe, South America, other geographies other than North America. So to summarize it, I would say, CCC lion's share in North America. I think they had something like 18 million, 19 million claims a year. Probably 85% of market share in North America and no market share outside.

Mitchell still tries to maintain the automotive business, but they're struggling there and they're refocused on medical casualty

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and workmen's compensation. And Solera, Audatex is one portion of their portfolio. They've grown a lot through acquisition of related and tangential products. Whether it's glass, repair, automotive electronics, they've acquired a literal, probably, portfolio of 30 companies related.

Tegus Client

Perfect. And then on top of that, let's dig in a little bit into the different business lines and how to think of them. So my understanding is that the insurance carrier and repair facility are really very integrated between the two. So if you are offering the insurance part of it, so the insurance, call it, workflow, then you almost have to operate on the repair facility side as well, even if they are two separate businesses. So what's the chicken and the egg here, where did they start out? And who are they?

Former Vice President of Product Development for CCC Information Services

Yes, I don't know if there's anywhere they started out. You probably have to go back 10, 15 years, probably was in the repair facility. Now it's so blurred, and that's where that network effect comes in. A perfect example that I'll give you is part of the insurance carrier workflow as they review these estimates that come in from the repair facilities to make sure that they're not overwritten.

There's no fat on the bone, so to speak. You're not charging to put a new bumper on when you should instead repair and refinish and replace the existing bumper. So that's a review capability that CCC sells insurance carriers. Now on the corollary of that, they also sell something called adviser to the repair facilities, which helps them sort of prescore the homework they're about to hand in, in that estimate to ensure it's going to pass or, well, it's not going to be sure it's going to pass.

But rather it's going to advise them for that particular carrier, for their repair facilities, their standard rates and labor rates and the agreements they may have and whether or not for State Farm, we're supposed to refinish that bumper or repair it or replace it with a brand-new one. They sell same product or it's really sort of the same logic that's embedded out to the repair facility.

So there's a lot of things that are sold to both places. And then compounding that even more is if you are a repair facility, well, CCC had 23 of the top 25 carriers in North America. The only two that don't have that I knew of when I was Progressive and Country. Everyone else is pretty much CCC-exclusive at this point. If you're a repair facility, and certainly for a multisite operator, you want to be in that one. Now you want that work to come in from you.

You want to be what's in the insurance industry to have what's called DRPs or direct repair programs, which is where a carrier may sign specific contractual agreements with, say, 5,000 repair facilities in North America to say if I send you my State Farm claim, you will charge me these rates and you'll use these parts and you'll see these providers and all these various procedures. So if you're a repair facility, you watch State Farm's business, you need to be in CCC's network and, very likely, you need to run CCC's software in your repair facilities as well so you can sort of see how it's an ecosystem that both sides are incentivized to play.

Tegus Client

Definitely, I can definitely see how that's an ecosystem that really almost requires the repair facilities at this point to use CCC if they want to work with an insurer. Is that how I should think about it?

Former Vice President of Product Development for CCC Information Services

Yes. That said, the repair facility software does have a lower price point. So it's very odd for an insurance carrier to use multiple solutions from CCC and Audatex, Audatex and Mitchell because the costs are very high. And the cost of integration are very high and take a lot of budget. They're sometimes multiyear implementations. So the carriers only is one. In the repair facilities, however, because they do want to get all that business, and because the price cost is lower, say, measure in a few thousands per month, they will sometimes run two or three of those different pieces of software so that they have access to everything possible. So there's a much stronger incentive on the insurance carrier side.

Tegus Client

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Got it. So at this point, I realize that CCC has taken the majority of the insurers out there. But what is stopping Mitchell or Solera to go into one of the largest insurance providers in the U.S. and just say that they can like, "Use our software. We're going to sell it to you at a slightly cheaper price."

Former Vice President of Product Development for CCC Information Services

Yes. The biggest is the integration. So there's a suite of web services, for example, that people are integrated, carriers are integrated with CCC systems. If you're a big carrier, let's take a Farmers. Your agents and your operational people are pretty rarely actually in CCC user interfaces. While CCC has a SaaS software and website and blank pages that they can use, the carrier will actually integrate it, so very seamlessly so that it's straight within their policy management system.

You'll hear one called Guidewire. It probably has a lion's market share. Another one called Dockery was an Accenture spin-off. But Guidewire has a market share. So there's extensive, extensive IT integration between the two systems to talk to each other. If I were one of those competitors and I wanted to do that, I would do binary compatibility with those same interfaces so that I could go to that carrier and say you can switch tomorrow, just point your traffic flow up to a good place and I've got it all taken care of. So they have yet to do that. If I were serious about meaning major market share in North America, that's what I would do, replicate those exact same web services.

Tegus Client

So can you explain how that would work? So you basically, you would just create an integration between Guidewire and, for example, Audatex from Solera and you sell that integrated package?

Former Vice President of Product Development for CCC Information Services

Yes. You would probably provide that package for free so that you could get transactional traffic on all the claims. But basically, there's these web services, for example, CCC has right now, probably 20 different web services, a lot of intricate details in them. But you would want to create the same side on your side, say, Mitchell, so that you emulate it or appear to be the exact same system so that when the Guidewire servers at Farmers contacted Mitchell, they'd be speaking the same language. The same data elements will be packed. The same services and functions will be called.

That's sort of reverse engineering. There are methods to do that. There are white room, clean methods. In fact, CCC did it; a similar thing to sort of undermine or offer parallel functionality. Mitchell used to have an agreement with Guidewire themselves. They would publish it, they're like a partner, exclusive partner. CCC provided sort of the same functionality so that they could do a similar story.

So this would be on a grander scale, basically emulating all the CCC servers and systems, so that when Guidewire sends an estimate assignment, it's called, that's sent out to the repair facility saying, "You've got a new customer coming on Monday to get his car looked at. Here as a bit of details, all of that." You had accepted that same information into the Mitchell system and process that transaction through the Mitchell back end. That's how you would accomplish that.

Tegus Client

So am I correct that Guidewire is essentially the internal IT system for use within, for example, State Farm.

Former Vice President of Product Development for CCC Information Services

Yes.

Tegus Client

And then they use an API that connects into CCC web services and then CCC runs the data on their side and then just shoots back information on the other side, and you could just emulate that API.

Former Vice President of Product Development for CCC Information Services

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Yes. You have it perfectly right. And Guidewire is more than just automotive damage. It does all the policy management, deductibles, payment, provide ID cards, all that. So it's basically the system that prompts carriers business, usually automotive, home and life as well.

Tegus Client

Got it. And just to take a giant step back from where we are at the moment. So how do CCC actually charge for these services? Is it a per transaction fee? Is it a, I guess, typical SaaS model? What's the model that they charge to their repair facilities and the insurance?

Former Vice President of Product Development for CCC Information Services

Yes. I'll speak a little bit about enterprise agreements on the super big carriers. But at its core basis, the way it's priced is on what's called a claim folder. So every time a claim is initiated, if you will, a customer comes in with an accident or vehicle, there may be a base charge, say, \$25 was the base charge for that claim folder and it's for the life of that claim. So no matter how many workflow and everything else and times people go into CCC systems, that one claim folder is charged. There are then value-add services on top of that, that CCC provides, and that's where the bulk of the revenue growth has occurred over the last, I don't know, 8 to 10 years.

So remember, I talked to you about this review capability. So there's the review capability. Maybe that adds another \$15 to the claim folder. You'll see mentioned things like photo analytics, mobile process, maybe mobile adds another \$25 and photo analytics adds another \$60 because it's a premium function.

One of the things that we created early on when I was at CCC was predictive review, which is simple predictive analytics. It's based on a linear regression model that helps to advise whether or not a vehicle is going to be a total loss at the time it's first reported. So the time a consumer calls in collecting between 5 and 12 data elements of information, it could predict with about 80% accuracy whether or not that vehicle is going to be a total loss or result in a repairable vehicle.

A huge inflection point for a carrier because they can save, about on average, about \$250 in loss adjustment expenses when they route that vehicle to the right place. So for example, if it's repairable, you didn't send it to a salver to find out later it's repairable and then have to have it hauled, pay for storage fees there then have a tow truck haul it over to repair and vice-versa. Saves a lot of costs that they can make that determination early. So that was another value-add service there as well. So on the carrier pricing model, it's all based around the quantity of claims and the premium services that are added on to the basic claim folder services.

Tegus Client

Got it. And there's no subscription fee for the carriers to do this. They just get the charge for the \$25-something dollars for the claim.

Former Vice President of Product Development for CCC Information Services

Yes. There's minimums, and I think that helps CCC during COVID as miles driven went way down, helped preserve their business model, and helped them span that time. So there's minimums. And then when you get into the mega-mega carriers like when Liberty Mutual brought on, it was one big annual fee for access to everything, and CCC actually heavily subsidized, well, at the point of signing, there was a reverse transmission of a lot of funding from CCC to Liberty Mutual to offset that switching costs. I talked about that IT budgeting switching costs and move over CCC.

Tegus Client

Got it. So it's a really tough business to get into, given that there's a lot of upfront costs that you have to take to just integrate something. So the carrier, if you are using something else and there's no real reason for you to switch, you probably want to get some kind of support for making that switch similar to what you have described.

Former Vice President of Product Development for CCC Information Services

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Yes, and CCC has been talking to Progressive for years about everything, but we hear very much sort, "Well, what we have works and maybe next year, we'll talk to you again."

Tegus Client

And who's Progressive using?

Former Vice President of Product Development for CCC Information Services

Mitchell. I believe Country is using Mitchell also.

Tegus Client

Got it. And is there any reason why they would stay there or why they would potentially go to CCC?

Former Vice President of Product Development for CCC Information Services

There might be a fear of Mitchell not supporting or continuing to innovate and enhance the software. We invest in it at the same level just because of the market share. That might be sort of a driving factor. Now on the other side of that, if you're one of Mitchell's 3 customers, you can drive a lot of things. You can sort of guide the product road map where you'd like it to be pretty strongly.

Tegus Client

Yes, that's a good point. So at this point, let's get into the repair facility cost side of it. But if you are an insurance provider now and you're using Mitchell, you can basically just say, I need this functionality and you're going to build that for me?

Former Vice President of Product Development for CCC Information Services

Yes.

Tegus Client

Yes. And then let's talk a little bit about the revenue model from the repair facility side and how that works.

Former Vice President of Product Development for CCC Information Services

Yes. So that is much more of a SaaS subscription model, repair facility may spend \$2,000, \$3,000 per month just to have a subscription to the software. There are, again, tiers on that are functionality there. So basic repair facility might be just estimatics. Then in the repair facility software, there's also workflow to assist with scheduling and the base and personnel scheduling, time cards, timesheets, things like that. There is another package, then there's packages to assist with notification of like repair status. A lot of insurance carriers like to offer to their consumers 10% done, 20% done. Here are some photos of it being torn down in the bay.

There's a camera that sits in the bay, watch all the work that's being done on it. That's another package. There's packages in the repair facility to assist with a vehicle check-in. When a customer comes in, the estimator will greet them at the vehicle with a tablet, creating the estimate on the tablet at the same time as they also record a lot of the vehicle settings.

Where was the seat, where were the radio channels, that kind of stuff so they can return the vehicle back to the consumer and validate the consumer info without a lot of paperwork or consumer wait time. So there's a lot of different packages. You'll see, for example, the AI is starting to trickle into the estimatics software to offer smart decisions on what should and shouldn't be done based on data models that were created initially for a review of estimates. So there's a lot of different tiers in the facility itself.

And then you get into the complexity of multi-site operators. In North America, there's Gerber, Caliper, Service King are just

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some examples of multisite chains that went up and they did a lot of consolidation. That kind of seem to have slowed or stopped. They went out and purchased a lot of individual operator facilities and consolidated them in the large multisite repair chains.

They have very different agreements with CCC that would be more along the lines of, "We're going to pay you X number of dollars per year, and we're going to have access to these modules for all of our member sites." And there's even some things to assist. The multisite operators would sort of load balancing between repair facilities if they have one gets overloaded, sending it to another for estimation and so forth.

Tegus Client

So has that consolidation caused any price pressure on the repair facility side of it?

Former Vice President of Product Development for CCC Information Services

Yes, the labor, the overall repair price, the procedures that are done, it has caused a lot of the independents to sort of up their game in order to continue to win business. There's something called steer and the carriers can't say, "You need to go to Caliper, get your car repaired." So they try to avoid consumer steering.

The consumer has the right to get it repaired wherever they want, but they can make it a lot easier. They can say, "If you take it here, we'll handle paying the deductible and you won't have to deal with that." They can make it more convenient and easier and they can recommend to the consumer where to go. So I think yes, it has caused pricing competitiveness by the independent repair facilities as these MSOs came up.

Tegus Client

Also on the CCC software? Or just in general, price competition for their repair facilities with each other?

Former Vice President of Product Development for CCC Information Services

I think really just in general. I don't think it has caused a lot of price concessions or competitiveness that CCC saw. Another interesting thing. So an interesting thing to keep in mind when Liberty Mutual was signed in as a CCC partner, they also issued a mandate up to their repair facility networks saying, "Thou shalt use CCC." Our Head of Sales, Joe Allen then ran around with the peg, collected money for two years off of repair facilities.

Tegus Client

That sounds like a good business model.

Former Vice President of Product Development for CCC Information Services

Yes, for him, record revenue. It was an offset success in the insurance carrier market. But also, there's corollaries to that one. CCC 1 came out. Desktop, tablet, modern UI, much, much simpler to use. That drove demand. The carriers probably started to look more seriously at CCC. That didn't happen eight years ago, I would say.

Tegus Client

Got it. So that explains a little bit of the revenue model of the company, how does it work with. How are they going to continue to grow this business because they have been growing quite significantly over the last 5 to 10 years by adding these value-added services?

But it seems like if you have 85% of the U.S. market in terms of just number of claims that go through and you have everybody except for two carriers, those two carriers might, at some point, drop over to you, but it's not something you can really count on and it's unlikely to happen soon. So how do you grow a business like this when you have that significant of a market share? And I can't see the number of accidents or the number of claims folders being opened actually increasing by much.

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Former Vice President of Product Development for CCC Information Services

Correct. Correct. So there's a couple of things there. I'll get back to the claim folder. The count of claims is definitely going to decrease. But I think the primary way that CCC continues to drive revenue growth is through those value-added services. I think there is the problem set, the workflow. The market is pretty ripe for automation, AI predictive models. They were really just starting to scratch the surface there. I think there's a lot more.

And it's sort of, at the same time, that helps defend the market share they have because they create accurate models. For many of these solutions, you need to have a large data set. You need to have those 18 loan claims to train the model so that the more data you can train it against, the more accurate the information is.

So I think continuing to remove humans from the equation to automate the things that are being done in the workflow and the repair process itself is going to continue to add value-added services. I think that's going to be the primary growth area. Another one, obviously, is international.

They've got, like, zero presence internationally. If they were to go seriously after, say, the European market, South America, they could, over time, double their revenue ultimately. And maybe that's where some of the cash infusion from recent events can be added to them. They've been trying with China for about five years. But China is a very different market.

Tegus Client

Got it. So just to try to push back on that international growth prospect, isn't the entire reason why this business is so good is because it's very tough to break into a market where another player is the dominant one? So if Solera is primarily in Latin America and Europe, it seems like CCC shouldn't have that easy of a time to break in to any of these.

Former Vice President of Product Development for CCC Information Services

Correct. Or they're going to see it coming and then they're going to project through pricing. I don't imagine they would just roll over in a while. That I can imagine that they'll see the beachhead account and divert a lot of resources there. And CCC did try to go into Europe, probably 15 years ago. I hear it didn't go so well.

They had probably two big failures in the company, trying to get into Europe and the other one was a process called subrogation, which subrois when somebody else is at fault. They hit your car and then your insurance company goes after them, legally tries to negotiate resolution on the payment back to them. Maybe there's things like diminished value. It's a complex vehicle process around interparty accidents.

Tegus Client

Got it. So if that international growth aspect, that's likely going to be not the last resort, but when they start to see difficulties in pushing value-added services in the U.S. is probably when they start going international or trying to move into other verticals?

Former Vice President of Product Development for CCC Information Services

Correct. I think once their revenue growth slows, and you'll see things in the investor decks. Well, they're investor decks, right? But I think their revenue growth was high single digits pretty historically, approaching double digits.

Tegus Client

Yes. And in terms of other verticals that they could go into. So basically, they are an insurance information and software provider, they're doing it for automotive primarily. Is there any way for them to go into other kind of, still outside of life insurance, but P&C insurance-type verticals where they could have a good way of winning? Or is this just an isolated part of it?

Former Vice President of Product Development for CCC Information Services

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Yes. I believe they did start acquisitions that I talked about in the medical casualty space. So when someone gets injured in a vehicle accident, this whole process begins of getting the human repair just on the vehicle, and then insurance carriers enter. If I'm Farmers and my driver was at fault, that insurance carrier then gets all the bills submitted to them, reviews on those bills to make sure, well, they almost become like a medical PCL provider. They're checking all those bills of the bills to make sure they're accurate and not overbilled. And so this whole process begins.

And CCC got into that business with a company called AIS and never really did well at it. The revenue growth wasn't there. It was probably 1%, 2% revenue growth a year, if not flat for a few years. It's a very labor-intensive business. It's almost like a business process outsourcing type of arrangement. And you can see how much of a dog that business is by the fact that CCC spun it off probably about 6 months before doing the whole drag and everything. It was a dog of a business. They we're not making money at it.

Tegus Client

Got it. So that doesn't seem to be an obvious extension from their side?

Former Vice President of Product Development for CCC Information Services

Well, no, they also didn't go whole hog into it. That acquisition was probably not the best one to do if you were going to try to break into that market. I'm not familiar with the SaaS software providers in that space. But those would be the ones that I would look at as opposed to this place as sort of a BPO.

They literally had people in the Philippines opening, basically, if you're a lawyer and you're sending off all the medical bills to be paid to the insurance carrier on behalf of your client in trying to reach settlement, you want to make it as complex as possible so you'll, like, write it with crayon on tree bark and you send off one big folder of 800 bills as confusing as possible. So CCC had literally people in the Philippines or AIS, opening all this information re-keying it, manually keying it into computer systems, very high labor-intensive business, super low margins compared to the rest of CCC which had, like, 40%, 45% margins in the SaaS company.

Tegus Client

Yes, that's a very different type of business. So you mentioned initially that the count of claims is going to decrease over time. Could you elaborate a little bit on that aspect?

Former Vice President of Product Development for CCC Information Services

Yes, very definitely. There's a couple of different factors that are going there. First of all, the younger population, millennials, if you will, people of the younger age are less incentivized to drive. There's a lot more of them don't even get drivers licenses, don't really care about owning a car. It's not that kind of part of the American life than it used to be. So that's one portion of it as far as miles driven and claims goes.

Another one is the vehicles are getting a little bit smarter. The vehicles themselves are getting a lot smarter about not getting into accidents in the first place. When the faulty computer behind the wheel makes a bad choice, they're interceding. And whether that's lane departure warning, accident, collision and things like the autonomous driving that's looming down the horizon, the full self-driving that Tesla has today, that's decreasing the number of accidents, certainly at high speed, that result in, like, major claims.

So that's decreasing. Now I will say equally offsetting it in the trend that there's a woman by the name of Susanna Gotsch, who used to work for me at CCC who does great analysis on this and she creates an annual publication called Crash Course that looks at trends in the industry.

But for a number of years, there's been great concerns that the number of accidents, the number of miles driven were dropping. That's been equally offset, though, by the complexity of the repairs when they do occur. So as more modern vehicles go in to get repaired, there's a lot of calibration, sensor testing, computer integration that has to be done to get that vehicle back up to snuff and safe to drive out on the road again. And so that's led to an increase in cost of repair.

Now that said, I'll revisit when I talk about the pricing model with the carriers paid to CCC right now. You'll notice that nowhere in there is how much does each repair cost. So they have not yet factored that into their revenue stream. And I

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think it would be even to, at some point.

They might not actually need to do so directly though, because as I talked about, the fourth leg of the stool that's emerged recently is the OEMs themselves. The OEMs are now getting very interested in the repair of the vehicles. They want to make sure it's done correctly, certified, tested, calibrated. So I think there's an emerging revenue source for the OEMs there to offset as the complexity of repairs come around.

Tegus Client

Got it. So let's dive into a little bit that third and fourth leg of the stool. So the third leg would be the parts business and the fourth will be the OEM business just so I can understand a little bit better what are those parts of the business doing.

Former Vice President of Product Development for CCC Information Services

Yes. So parts is very simply the parts procurement I talked about. Like, many different ways that parts can be supplied. Whether it's new, OEM, remanufactured, et cetera. That's a pretty simple business model, as I understand. I wasn't super directly involved with it, but I understand it. It's something like 0.5% off the top that CCC will do from a revenue perspective. In other words, they charge the repairer or the person ordering the part a certain percent for access to the service to find the parts, provide them, do all the settlement, everything in the back end. So it's kind of like an eBay for parts, if you will. And there's a couple of big players in that marketplace. There's PartsTrader.

There's also OEM Connect that CCC competes with. So that's a pretty straightforward business model. It had just broken into the black when I was departing, but definitely was having some pretty serious revenue growth, something like 60% year-over-year because that network is big.

And once that volume takes off, the biggest problem the parts solution faced was getting the inventory available, inventory for cars. There haven't traditionally been great inventory management systems. A lot of it existed, especially for new OEM parts. It sits on shelves and dealerships and trying to get that digitized and into the CCC system for sale was a bit of a challenge.

OEM connection was spun off of General Motors. So they were kind of trying to undermine what CCC was doing, making it more difficult for them to have access into their systems as well. So as that inventory starts to get solved, that CCC becomes a reliable place, a reliable catalog to actually look for a repairer for parts, that business has started to take off.

Tegus Client

So I'm assuming that this is essentially they're offering a connection into this parts catalog with their existing software, all of the repair facilities that they already have the software at and then they can choose to order through this software if they want to and then they take a bid. They just charge a little bit of a take rate on that.

Former Vice President of Product Development for CCC Information Services

Exactly. It's the parts business, if you were a repair facility, historically, it was done over a box of doughnuts and a fax machine. You would call Bill at the local Ford dealership. So they're fighting against that model. If you will, and trying to take that digital, but being pretty successful at it.

Tegus Client

How big is that potential market? Could this be another 30% of revenue for them?

Former Vice President of Product Development for CCC Information Services

Yes. I usually think there could be an equal sized part of the business part. And it was, I want to say, carrier revenue was like breaking \$200 million, about \$220 million. Repair facility is similar, just a little bit south of that. Revenue was probably only \$40 million, \$50 million at the time, but I could see it getting to be the same size as the other two in five years in that kind of time frame, not super long time frame.

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Tegus Client

So that's a real new business model where they can get growth as well.

Former Vice President of Product Development for CCC Information Services

Yes. That is one they've been working on for eight years.

Tegus Client

Yes. They have to get it together and make it work, I guess.

Former Vice President of Product Development for CCC Information Services

Yes, like I said, they had to overcome the coffee-doughnut situation. It took a lot of time to build the inventory, get the network actually reliable, get it up to speed. But I think it's one of those things that starts to roll like a snowball downhill after a point.

Tegus Client

Yes, exactly because it seems like such an obvious thing that you would want to have if you are selling the parts or if you are the repair facility that if you can just click a button and say, I need this part and you have it delivered automatically.

Former Vice President of Product Development for CCC Information Services

In all getting there and all coming together, because both for the carriers and repair facility, in other words, how long is that thing sitting in a bay or sitting in a lot or the consumer waiting on it to get repaired? The shorter you can get that measured in hours, the better for both sides of the equation.

Tegus Client

Exactly, and the last growth segment, call it, which is the OEM part of it, the OEM connection, how are they making money on that? And what's that business doing?

Former Vice President of Product Development for CCC Information Services

Yes. So there was a couple of different things that had started off in the OEM. CCC did partner on pretty early with General Motors on telematics. Basically, as the vehicles now have telematics and real-time data capabilities, they had partnered early on. There was no real revenue about it. I don't think either side really understood why they were doing it or what the future was.

It was basically GM was just sending a ton of telematics information to CCC to try to analyze and build for the future, so telematics is one portion. But the ones that really started to emerge is real revenue generators, if you remember like the Takata airbag situation, all the airbag recalls, Toyota, Honda, everybody had under the sun.

A big liability for the OEMs. Because they couldn't prove to the DOIs and everyone else that they were being as aggressive as possible by about working that stuff out of the ecosystem and getting it repaired. So Honda, for example, reached out to CCC with an agreement so that every vehicle, as it was being repaired, is seen or even estimated in a CCC repair facility would also have vehicle scans done on it to determine, based on that end, they did all of the recall.

But that's a very simple example. I think it's going to expand even more so that OEMs can be more connected to their vehicles that are out on the field. Because believe it or not, if you're Toyota and you sold a Corolla, two years from now, you don't have any idea who owns the thing. You may have known who you sold it to, if you were lucky at the time. But they literally don't know where it's at or anything about it. So I mean, it helps to sort of build that connectivity back to the OEMs.

Another big portion of revenue, or something that could be an early driver for CCC as it pertains to OEMs, and they really

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hadn't started to exercise or explore it at the time is, well, a couple of things. One is that whole calibration process I spoke about.

When a Ford goes in making sure the repairs facility is using Ford repair processes and the sensors or scanned and calibrated, that kind of stamp of approval, if you will, for an OEM is going to be an emerging market for CCC. And then the other one is vehicle replacement. If you are in an accident and your Ford was totaled, CCC's going to know about it, because those number of valuations that they do and a number of consumer vehicles that they see.

The OEMs would very much like to become part of that conversation at the point that occurs saying, "Hey, sorry to hear about your loss of a Ford. Here's \$5,000 off a new Ford. We've set an appointment for you to go into the dealership and take a look. So that marketing for vehicle replacement is pretty important for the OEMs.

Tegus Client

Perfect. So that last bit is interesting. So essentially, at this point, you mentioned that nobody really knows who owns a car after the first owner. There is no way of knowing who is driving the car and who owns it.

Former Vice President of Product Development for CCC Information Services

Yes, correct. I don't even know if the dealers are very good about turning that information back to Toyota Central and on all the cars at that, well, so it seems like the OEMs really did not know who owns their vehicles or anything about them. So the fact that for Honda, that was a huge value add to try to tackle that airbag situation was rather showing. And a bunch of other OEMs lined up to do the exact same thing once they heard about it.

Tegus Client

Exactly. So that would be CCC selling information to the OEMs by virtue of being integrated into, essentially, every workshop that exists in the U.S.

Former Vice President of Product Development for CCC Information Services

Yes.

Tegus Client

Is there anything else that they were trying to do to grow the revenue part? Because it seems like the OEM opportunity is, it's there, but it's not going to be a significant growth runway. You've got the parts procurement that could probably boost revenues by 20%, 30% in the next five years. On the core business, I'm assuming that the core business is going down, there might be some pricing on the base cost of just adding a claim, you might have some additional value-added services on top of that. But it seems like there's nothing to really provide a significant boost to revenues other than, call it, a mid-single digit revenue growth for the foreseeable future.

Former Vice President of Product Development for CCC Information Services

Yes. I think the other things that they're looking at, but really hadn't just formulated at the time was things around some new AI. There's specifically the photo analytics components. They're done by CCC now. And I'm sure you've seen the heat maps and visuals that help you kind of understand what that is. It's pretty complicated behind the scenes from the data sciences perspective.

But they're also looking at other applications of that same technology into things like fleet management. If you're a rideshare service or a ride checkout service or a rental car company, more and more there's these kind of fleets of vehicles out there being able to, well, you checked in a rental car at an airport, I'm sure when you do, they basically maybe look at the car, mostly don't.

So they never really know where damage has occurred along the way. The photo analytics can do that a lot more accurately, like, down to the scratch level and so forth. So that's an example of deploying that. They're looking at working with these emerging rideshares like Uber and Lift and others around the insurance carrier and repair coverage for their

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drivers.

And then also telematics is something they still haven't figured out how to monetize, but have a lot of technology to be able to do as we, well, I shouldn't say haven't figured out to monetize. They have some revenue from it today. But as the vehicles are now transmitting massive amounts of real-time data, collecting that telematics information, doing analytics on it, the first application of that is what's called usage-based insurance.

Do I drive like an idiot? Do I drive like a sane person? And like kind of, if that data is shared with a carrier, can they offer some discounting or incentive to get you as a customer? The OEMs also could come into that ecosystem pretty heavily because more and more, the telematics data is coming through the OEMs themselves. So then you've got to have a partnership with a carrier, the OEM and technology provider like CCC to collect and analyze that telematics information.

Like usage base underwriting is one example. Another one is insurance portability. If I go from carrier A to carrier B, carrier A may have a whole lot of telematics information on you that will help carrier and B and help the consumer from an insurance portability perspective, moving over to a new carrier. So I guess the other future growth areas they're looking at were telematics and I forget the other that I mentioned before that.

Tegus Client

Telematics and the photo analytics would be the big two.

Former Vice President of Product Development for CCC Information Services

Tangential, I would say, tangential applications, the photo analytics.

Tegus Client

Yes. Is there anything else I should have asked you that I haven't so far that you think would be good for me to know if I continue doing work on this industry?

Former Vice President of Product Development for CCC Information Services

Yes. I think the biggest one would be what's the risk, what's the biggest risk to CCC's overall revenue model. That's the one that is often asked. And I think there's really three risks, I think about. One is they're broaching monopoly territory. And they've gone public as a company, that's going to come under a lot more inspection from the, I think oversight where they're going and how much market share they have is a risk to slow them down.

I think another one is complete disruption. The carrier-based systems, I won't say disruption, the word for it is actually capitation. The carriers and the repair facility spend a tremendous amount of effort and time writing these repairs, reviewing them, going back and forth, ticky-tacking minor changes to them.

If parties ever got together and said, hey, I'm a major carrier in these major MSOs. On average, I pay you \$3,200 to do this Toyota Corolla that's been involved in a front-right collision. So I'm just going to do that and I'm not going to review and buy all this software to manage the process back and back and forth. That capitation model, people have talked about it for a year, but I think everybody is so scared to it. The repairers are scared to do it because they think they're going to get screwed. The carriers are afraid to do it because they're going to get screwed. And CCC has looked at it and probably will be involved when that happens.

Tegus Client

Yes, it's tough for that to happen, I guess, because CCC really sits in between to make sure that nobody is trying to screw the other one over. And if they take that away, there is an incentive for the MSOs to really just upcharge or do less of the work than they maybe should be doing because they're not able to charge for any additional services, et cetera. So I think the flat rate model is interesting, but it's kind of difficult to implement in practice.

Former Vice President of Product Development for CCC Information Services

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Yes. Where it becomes interesting is like the photo analytics is at no point that we get it to the point where it could say it's going to cost \$1,233 to repair this. But it started to get fairly accurate from a range in perspective. So some of the technology, I think, can help ease and assuage that on both sides. So I think that's a risk.

And the last one is probably just a complete upstart who undermines the workflow-based process and does more of an AI-based model, which is a company? Tractable, there's a primary example there. Someone who disrupts the model all together. And so if this isn't the way things work and got a completely new way of doing things.

Tegus Client

So for this last option, is that somebody is just doing things in a different way. And just for example, creating an AI-based model that allows you to do these damage estimates in a better way, how would they actually enter into the market? Because they still need to get into the insurance providers.

Former Vice President of Product Development for CCC Information Services

They would probably enter in through kind of, well, because the insurance carriers, they would love to have another option, too. So through a large-scale partnership a pilot or proof of concept with one, two, or three insurance carriers can help them break into it. They can actually help them get the amount of data that they need, because the carrier's still on that data, and they can send it to them just as easily as they can send it to CCC. It would help them get the large amount of data that they needed. So if they were to get a consortium of two or three major carriers, they could do that.

Tegus Client

Got it. I'm assuming that would be quite expensive in order for them to do that because you need to build the software, build the model and then work essentially for free integrating that into the carrier systems.

Former Vice President of Product Development for CCC Information Services

Yes. You're taking a lot on the first two models.

Tegus Client

Train your model. Yes. So it's definitely something that could happen. But if that was to happen, I would assume that a Solera or a Mitchell would be even better place to just say that, "Hey, we've been doing this for a while. We're doing it internationally. We developed this new model that is based on just a machine learning predictive approach. And if you let us tap into your data stream for a while, we can then compare, contrast the results to what you're getting with CCC. And if you're happy with it, we can sign you up."

Former Vice President of Product Development for CCC Information Services

Exactly how they would attack it.

Tegus Client

That's definitely a risk worth thinking about. That's true.

Former Vice President of Product Development for CCC Information Services

Yes.

Tegus Client

Perfect. Well, thank you very much for your time. We appreciate it.

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